



Department of Energy

Official File

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

CORPORATE

January 6, 2006

In reply refer to: DK-7

Ms. Grace Gilmore
Utility Appraiser
Business Tax and Valuation
Montana Department of Revenue
Mitchell Building
P.O. Box 5805
Helena, MT 59604-5805

RE: FOIA Request #06-011

Dear Ms. Gilmore:

Thank you for your letter of December 22, 2005, requesting information under the Freedom of Information Act. In your letter, you requested a copy of the cost or investment in the 500 kv transmission line systems in Montana. Specifically, you requested the following:

1. Total investment in the Garrison to Taft 500 kv transmission line facilities in Montana for the year ending 12/31/2005;
2. Total investment in the Townsend to Garrison 500 kv facilities (the Montana intertie) for the year ending 12/31/2005;
3. Total investment in the Hot Springs to Dworshak 500 kv transmission line system in Montana for the year ending 12/31/2005;
4. Total investment in the Taft to Bell 500 kv transmission line system in Montana for the year ending 12/31/2005;
5. Agreement between Bonneville Power Administration and Montana Colstrip Owners (Montana Intertie Agreement), contract no. DE-MS79-81BP90210.

Your request was received by our office on January 6, 2006, and has been logged in as FOIA #06-011. In your letter, you expressed a willingness to pay processing fees for your request.

Mr. John Quinata, manager of scheduling and estimating, has been designated as Authorizing Official for your request. Mr. Quinata has 20 working days, until February 6, 2006, to provide a response. Should you have any questions, Mr. Quinata may be reached at Mail Stop TOE-TPP-4 or by calling 360-619-6639.

Sincerely,

/s/ **Christina J. Brannon**

Christina J. Brannon
Freedom of Information Officer



Department of Energy

Official File

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

CORPORATE

February 6, 2006

In reply refer to: DK-7

Ms. Grace Gilmore
Utility Appraiser
Business Tax and Valuation
Montana Department of Revenue
Mitchell Building
P.O. Box 5805
Helena, MT 59604-5805

RE: FOIA Request #06-011

Dear Ms. Gilmore:

I am writing regarding your Freedom of Information Act (FOIA) request #06-011. We are unable to meet the initial deadline for completion of this FOIA request. As permitted by statute, we will take a ten working-day extension of time in which to respond to your request. The extension will also provide us with enough time to collect and complete the review process of the materials gathered in response to your FOIA request. The new due date for this FOIA is February 21, 2006.

If you have any questions, please contact me at 503/230-7303. Thank you for your patience.

Sincerely,

/s/ Christina J. Brannon

Christina J. Brannon
Freedom of Information Officer



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

FINANCE

February 21, 2006

In reply refer to: DK-7

Ms. Grace Gilmore
Utility Appraiser
Business Tax and Valuation
Montana Department of Revenue
Mitchell Building
P.O. Box 5805
Helena, Montana 59604-5805

Dear Ms. Gilmore:

This letter responds to your December 22, 2005, Freedom of Information Act request. In your letter, you requested a copy of the cost or investment in the 500kV transmission line systems in Montana. Specifically, you requested the following:

1. Total investment in the Garrison to Taft 500kV transmission line facilities in Montana for the year ending 12/31/2005;
2. Total investment in the Townsend to Garrison 500kV facilities (the Montana intertie) for the year ending 12/31/2005;
3. Total investment in the Hot Springs to Dworshak 500kV transmission line system in Montana for the year ending 12/31/2005;
4. Total investment in the Taft to Bell 500kV transmission line system in Montana for the year ending 12/31/2005;
5. Agreement between Bonneville Power Administration and Montana Colstrip Owners (Montana Intertie Agreement), contract no. DE-MS79-81BP90210.

The Bonneville Power Administration's (BPA's) costs of investment in 500kV transmission facilities in the State of Montana, as of December 31, 2005, are reported as follows:

Garrison-Taft 500kV transmission line	\$183,069,480
Broadview-Garrison No. 1 & 2 500kV transmission lines	99,740,511
Montana portion of the Dworshak – Taft line 500kV transmission line	1,554,572
Taft – Hot Springs 500kV transmission line	10,760,719
Montana portion of the Taft – Bell 500kV transmission line	2,097,851
Taft Substation	37,240,911
Garrison Substation	59,615,198
Hot Springs	<u>5,455,001</u>
Total Investment	\$415,938,271

While compiling the data for the investment request, two corrections were identified over the previous year's request. First, the Dworshak-Taft-Hot Springs transmission lines, previously reported as \$29 million, is now \$12.3 million. This was a result of an incorrect distribution of investment in the original Dworshak-Hot Springs line when Taft substation was constructed and looped into that line. The investment was corrected in BPA's financial system this year and will be reflected in future reports. Second, the 500kV substation equipment investments at Garrison, Taft and Hot Springs were omitted from the request since 2000. A current investment of \$102.3 million is based on the 500kV percentage of voltage indicated and will be reflected in the current and future years request.

This partial release includes a majority of the information/records BPA has regarding your request. The agreement between Bonneville Power Administration and Montana Colstrip Owners (Montana Intertie Agreement), contract no. DE-MS79-81BP90210 is being reviewed for possible FOIA exemption. BPA expects to release the agreement no later than February 28, 2006.

If you have any questions or need additional information, please contact me at 503/230-7303.

Sincerely,

/s/ **Christina J. Brannon**

Christina J. Brannon
Freedom of Information Officer

Enclosure: Breakdown and Investment Sheets



Department of Energy

Official File

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

FINANCE

February 27, 2006

In reply refer to: DK-7

Ms. Grace Gilmore
Utility Appraiser
Business Tax and Valuation
Montana Department of Revenue
Mitchell Building
P.O. Box 5805
Helena, Montana 59604-5805

Re: FOIA #06-011

Dear Ms. Gilmore:

This letter responds to your December 22, 2005, Freedom of Information Act request, logged as FOIA #06-011. This second partial release contains the agreement between Bonneville Power Administration and Montana Colstrip Owners (Montana Intertie Agreement), contract no. DE-MS79-81BP90210, which responds in full to your FOIA request. There is no fee associated with this request.

If you are dissatisfied with this determination, you may make an appeal within thirty (30) days of receipt of this letter to Director, Office of Hearings and Appeals, Department of Energy, 1000 Independence Avenue SW, Washington, D.C. 20585. Both the envelope and the letter must be clearly marked "Freedom of Information Act Appeal."

If you have any questions or need additional information, please contact me at 503/230-7303.

Sincerely,

/s/ Christina J. Brannon

Christina J. Brannon
Freedom of Information Officer

Enclosure: Montana Intertie Agreement

GARRISON-TAFT NO. 1 #20000225 and GARRISON-TAFT NO. 2 #20000226

Profile ID	Garrison-Taft 1 Montana 500 kv	Garrison-Taft 2 Montana 500 kv	Total Investment for both lines
3502	\$ 5,317,172	5,315,219	\$ 10,632,390
3540	\$ 31,281,225	31,281,225	\$ 62,562,449
3560	\$ 46,711,374	46,711,374	\$ 93,422,748
3590	\$ 8,225,947	8,225,947	\$ 16,451,893
Line Total	\$ 91,535,717	\$ 91,533,764	\$ 183,069,480

The Taft-Garrison line was split into two lines, renamed and all investment is located in Montana.

BROADVIEW-GARRISON NO. 1 #20000093 and BROADVIEW-GARRISON NO. 2 #20000094

Profile ID	Broadview-Garrison 1 Montana 500 kv	Broadview-Garrison 2 Montana 500 kv	Total Investment for both lines
3502	\$ 2,464,295	\$ 2,464,293	\$ 4,928,588
3540	\$ 20,684,299	\$ 20,684,297	\$ 41,368,596
3560	\$ 23,671,004	\$ 23,091,740	\$ 46,762,744
3590	\$ 3,340,292	\$ 3,340,291	\$ 6,680,583
Line Total	\$ 50,159,890	\$ 49,580,621	\$ 99,740,511

This line was split into two lines, renamed and all investment is located in Montana.

DWORSHAK-TAFT #20000185 and TAFT-HOT SPRINGS NO 1 LINE #20000562

Profile ID	Dworshak-Taft 500 kv Montana (8.5%)	Dworshak-Taft 500 kv Other States (91.5%)	Dworshak-Taft 500 kv Total	Taft-Hot Springs 500 kv Montana	Total Investment for both lines
3502	\$ 82,609.12	\$ 889,262.84	\$ 971,871.96	\$ 570,782	\$ 1,542,654
3540	\$ 743,414.78	\$ 8,002,641.49	\$ 8,746,056.27	\$ 5,136,573	\$ 13,882,629
3560	\$ 663,590	\$ 7,143,349	\$ 7,806,939	\$ 4,557,075	\$ 12,364,014
3590	\$ 64,958.77	\$ 699,262.10	\$ 764,220.87	\$ 457,382	\$ 1,221,603
3890*	\$ -	\$ -	\$ -	\$ 38,907	\$ 38,907
Line Total	\$ 1,554,572	\$ 16,734,515	\$ 18,289,088	\$ 10,760,719	\$ 29,049,807

The Dworshak-Hot Springs line investment was split into two line names. It is the Dworshak-Taft line being 90.4 miles with 7.68 miles in the state of Montana and the Taft-Hot Springs line being 53.8 miles long, all in the State of Montana.

*Profile 3890-General Plant consists of maintenance and microwave facilities required to support the BPA transmission system and are not included in either 500 kv or lower voltage.

TAFT-BELL LINE #20000561

Profile ID	Montana 500 kv	Other States 500 kv	Total Investment
3502	\$ 87,245	\$ 3,569,465	\$ 3,656,710
3530	\$ 4,038	\$ 165,218	\$ 169,256
3540	\$ 739,320	\$ 30,247,739	\$ 30,987,059
3560	\$ 765,902	\$ 31,335,371	\$ 32,101,273
3590	\$ 501,346	\$ 20,511,582	\$ 21,012,928
Line Total	\$ 2,097,851	\$ 85,829,375	\$ 87,927,226

The TAFT-Bell line is 96.4 miles long with 2.3 miles in the State of Montana

TAFT SUBSTATION #10000789

Profile ID	Investment in 500 kv		Other	Total Investment
3502	\$	11,690,961	\$ -	\$ 11,690,961
3530	\$	24,222,222	\$ -	\$ 24,222,222
3540	\$	-	\$ -	\$ -
3560	\$	-	\$ -	\$ -
3590	\$	1,327,728	\$ -	\$ 1,327,728
Line Total	\$	37,240,911	\$ -	\$ 37,240,911

100% allocation percentage based on 500kv percentage of voltage indicated.

GARRISON SUBSTATION #10000287

<u>Total Investment</u>			
\$ 7,091,084.15	Land, buildings, site		0%
\$ 6,779,200.00	Less than 500kv		0%
\$ 42,902,027.86	500kv	100%	
19,433,919,.34	Voltage not indicated	86%	
<u>\$59,615,198.49</u>	Total investment in 500kv	86%	

HOT SPRINGS #10000364

<u>Total Investment</u>			
\$ 2,084,559.01	Land, buildings, site		0%
\$ 4,690,714.11	Less than 500kv		0%
\$ 4,038,479.07	500kv	100%	
\$ 3,079,395.82	Voltage not indicated	46%	
<u>\$5,455,001.15</u>	Total investment in 500kv	46%	

4-6-81

TRANSMISSION AGREEMENT

executed by the

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

acting by and through the

BONNEVILLE POWER ADMINISTRATION

and

MONTANA INTERTIE USERS

(Colstrip Project)

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.....

This TRANSMISSION AGREEMENT, executed April 17, 1981, by the UNITED STATES OF AMERICA (Government), Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (Bonneville); THE MONTANA POWER COMPANY (Montana), a corporation; PACIFIC POWER & LIGHT COMPANY (Pacific), a corporation; PORTLAND GENERAL ELECTRIC COMPANY (PGE), a corporation; PUGET SOUND POWER & LIGHT COMPANY (Puget), a corporation; THE WASHINGTON WATER POWER COMPANY (WWP), a corporation; and BASIN ELECTRIC POWER COOPERATIVE (Basin Electric), a cooperative. Montana, Pacific, PGE, Puget, WWP and Basin Electric are all collectively referred to herein as "the Companies" and individually may be referred to as "Company";

W I T N E S S E T H :

WHEREAS the rights of the Government hereunder apply to transmission facilities in the service areas of two Federal Power Marketing Administrations, Bonneville and Western Area Power Administration (Western), the rights of the Government to use the Government's transmission

capacity specified in this agreement in the Montana Intertie shall be available to the Federal Power Marketing Administration in whose service area the facilities are located, and exchanges of capacity rights will be made at Townsend as agreed between Bonneville and Western; and

WHEREAS the Companies collectively own the output of Units 3 and 4 of the Colstrip Thermal Generating Plant; and

WHEREAS Puget and Montana collectively own the output of Units 1 and 2 of the Colstrip Thermal Generating Plant; and

WHEREAS Bonneville and the Companies except Basin Electric plan to execute firm transmission agreements (Contract Nos. DE-MS79-81BP90165, DE-MS79-81BP90166, DE-MS79-81BP90167, DE-MS79-81BP90168, and DE-MS79-81BP90169, referred to herein as the Colstrip Transmission Agreements) to transmit their shares of Colstrip power over the Federal Transmission System to points of delivery specified in the Colstrip Transmission Agreements; and

WHEREAS Bonneville and Basin Electric have agreed that any portion of Basin Electric's share of Colstrip power that is to be delivered to the purchaser of such power utilizing the Federal Transmission System shall be delivered in accordance with a contract to be negotiated between such purchaser and Bonneville; and

WHEREAS Bonneville and the Companies have agreed to build a regional transmission intertie (Montana Intertie) between the Companies' Broadview Substation (Broadview) and a new substation (Garrison) in the vicinity of Deer Lodge, Montana; such Garrison Substation will join the Montana Intertie to the existing Federal Transmission System; and

WHEREAS Bonneville plans to construct the section of the Montana Intertie between Garrison and a point near Townsend, Montana (Townsend) and recover the costs thereof as a separately identified portion of the Federal Transmission

System, and the Companies plan to construct the section of the Montana Intertie between Townsend and Broadview pursuant to an agreement among the Companies (Colstrip Project Transmission Agreement); and

WHEREAS Bonneville is authorized pursuant to law to dispose of electric power and energy generated at various Federal hydroelectric projects in the Pacific Northwest, or acquired from other resources, to construct and operate transmission facilities, to provide transmission and other services, and to enter into agreements to carry out such authority;

NOW, THEREFORE, the parties hereto mutually agree as follows:

1. Definition and Explanation of Terms.

(a) "Intertie Charge" means the charge or charges specified in Exhibit D, which is the monthly charge for transmission services on the Government-owned section of the Montana Intertie. Such charge shall be calculated pursuant to the provisions of Exhibits B and E.

(b) "Project" means the Colstrip Thermal Generating Plant consisting of a site and generating units, and related transformation and transmission facilities. Such generating units shall include units number 1 through 4.

(c) "Project Output" means the electric power and energy produced at the Project, less Montana's share of units number 1 and 2, and less Project station service requirements.

(d) "Project Scheduled Power" means the amount of electric power each Company schedules on an hour over the Montana Intertie to the Garrison Substation 500 kV bus, not to exceed such Company's east to west Transmission Demand. Such power shall be (1) the Company's share of Project Output, less amounts (i) used by any Company to serve its loads outside the Pacific Northwest, (ii) used by Montana to serve its own loads, (iii) used by Basin Electric to serve the loads of a Basin Electric member, or (iv) disposed of to

another entity; provided, however, such power is not concurrently returned to such Company west of Garrison, and that such disposition is not to an entity in the Pacific Northwest (excluding the Companies, Idaho Power Company, and Utah Power and Light Company) to serve such entity's loads in the Pacific Northwest; or (2) other power owned by such Company. A party shall not transmit power which is owned by another entity as Project Scheduled Power.

(e) "Transmission Demand" means the amounts specified in Exhibit D, expressed in kilowatts, which are equal to the maximum hourly amounts of electric energy which may be made available under this agreement at Garrison Substation 500-kV bus.

2. Term of Agreement. This agreement shall be effective at 2400 hours on the date of execution by all parties (Effective Date), and shall continue in effect, subject to the provisions of section 11, until December 31, 2004. Two years prior to the termination date hereof, Bonneville will offer to each Company to extend the services provided hereunder to such Company at that time, for the lesser of (a) the life of the Project, or (b) 20 years, under terms which are not less favorable than those which Bonneville is then offering for comparable services, provided that such Company, if it was participating in a capacity exchange as described in section 6(b) at the time of such offer, also offers to make available to the Government for the period of such extended term the same amount of capacity as before the contract extension, such capacity to be made available under terms which are not less favorable than those which such Company is then offering for comparable services.

3. Exhibits. Exhibits A through G are incorporated herein as part of this agreement. All references to "the Administrator" are changed to "Bonneville" in such exhibits. In the event of conflict between any provision

in Exhibit C and the provisions of this contract, the provisions of this contract shall prevail.

4. Construction, Operation and Maintenance of Facilities.

(a) Bonneville shall construct, operate and maintain:

(1) a 500 kV substation at Garrison; and

(2) two 500 kV a-c circuits from Garrison to Townsend, two 500 kV terminal positions in Garrison Substation for such Garrison-Townsend lines and necessary series and shunt compensation facilities at Garrison, part of such compensation facilities being required for transmission facilities constructed by the Companies between Townsend and Broadview.

(b) The Companies shall construct, operate, and maintain:

(1) two 500 kV a-c circuits from Townsend to Broadview, two 500 kV terminal positions and shunt compensation facilities at Broadview for a portion of such Townsend-Broadview lines; and

(2) such other facilities as the Companies determine to be necessary to transmit Project power to Broadview.

(c) Such construction by Bonneville and the Companies shall be completed no later than October 31, 1983. This completion date shall be extended for a time equivalent to delays, if any, as are caused by events which the constructing party could not reasonably be expected to avoid by the exercise of reasonable diligence and foresight. Each party shall provide adequate protective equipment within its terminal facilities to provide normal and efficient operation of the interconnected systems.

(d) Bonneville shall operate and maintain the series and shunt compensation facilities located at Garrison and other facilities described in (a)(2) above which are required for transmission facilities constructed by the Companies between Townsend and Broadview. Such operation and maintenance

shall be in the same manner as Bonneville operates and maintains similar facilities of the Government in accordance with the provisions of Exhibit G.

5. Transmission of Electric Power and Energy.

(a) This subsection describes firm transmission services over the Montana Intertie to be provided by Bonneville for each Company from Townsend to Garrison. During each hour of the term hereof, each Company shall make available or arrange to have made available to Bonneville at the Garrison Substation 500 kV bus, using the Montana Intertie, its Project Scheduled Power and Bonneville for each such hour shall transmit such power as provided in such Company's Colstrip Transmission Agreement. Such hourly amounts shall not exceed the east to west Transmission Demands specified for such Company in Exhibit D. Garrison shall not be a point of delivery for any Company hereunder except as provided in the Colstrip Transmission Agreements or another agreement.

(b) This subsection describes firm transmission service over the Montana Intertie to be provided by each Company for Bonneville from Broadview to Townsend. During each hour of the term hereof commencing on the date when a 500 kV transmission line, connecting Garrison to the 500 kV portion of the Federal Transmission System, first becomes available for scheduling power, Bonneville shall make available or arrange to have made available to the Companies at Broadview Substation 500 kV bus the amounts of electric power that Bonneville determines are available for transmission from Broadview to Garrison hereunder for such hour. Such amounts of power, less losses to Garrison Substation 500 kV bus calculated pursuant to Exhibit F, shall not exceed Bonneville's Transmission Demand for the east to west direction specified in Exhibit D, and the amount made available to each Company shall be in proportion to such Company's pro rata share of the capacity exchanged with Bonneville as specified in Exhibit D. Each such Company for each such hour

shall make available such amounts of electric power, less losses between Broadview and Garrison Substation 500 kV bus scheduled for such hour pursuant to section 7, to Bonneville at Garrison Substation 500 kV bus using the Montana Intertie.

(c) This subsection describes firm transmission service over the Montana Intertie to be provided by Bonneville for each Company from Garrison to Townsend. During each hour of the term hereof, each Company having a Transmission Demand in Exhibit D for the west to east direction shall make available or arrange to have made available to Bonneville at the Garrison Substation 500 kV bus the amounts of electric power such Company determines are available for transmission from Garrison to Townsend hereunder for such hour and Bonneville for each such hour shall schedule on behalf of such Company such electric power over the Montana Intertie to Broadview. Such hourly amounts made available at Garrison Substation 500 kV bus shall not exceed the west to east Transmission Demand specified for such Company in Exhibit D.

(d) This subsection describes firm transmission service over the Montana Intertie to be provided by each Company for Bonneville from Townsend to Broadview. During each hour of the term hereof commencing on the date when a 500 kV transmission line, connecting Garrison to the 500 kV portion of the Federal Transmission System, first becomes available for scheduling power, Bonneville shall make available or arrange to have made available to the Companies at Garrison Substation 500 kV bus the amounts of electric power that Bonneville determines are available for such hour for transmission from Townsend to Broadview hereunder using the Montana Intertie. Such hourly amounts of electric power shall not exceed Bonneville's west to east Transmission Demand specified in Exhibit D, and the amount made available to each Company shall be in proportion to such Company's pro rata share of the

capacity exchanged with Bonneville as specified in Exhibit D. Each such Company for each such hour shall make available such amounts of electric power, less losses between Garrison Substation 500 kV bus and Broadview scheduled for such hour pursuant to section 7, to Bonneville at Broadview Substation 500 kV bus.

(e) This subsection describes nonfirm transmission service to be provided over the Montana Intertie. During each hour of the term hereof, a party hereto having energy available for transmission on the Montana Intertie which is not covered by a firm transmission agreement may make available or arrange to have made available to the Companies at Broadview for east to west transmission or to Bonneville at Garrison for west to east transmission, the amounts of electric energy such party desires to be made available at the opposite end of the Montana Intertie for such hour plus losses calculated pursuant to Exhibit F. Such hourly amounts requested shall not exceed the line capacity which Bonneville and the Companies have determined is available for transmission of such energy hereunder. Any Company or Bonneville, as appropriate, to whom electric energy is made available pursuant to this subsection, on each such hour shall make available equal amounts of energy, less losses assessed on the Montana Intertie pursuant to Exhibit F, to the transferee on the opposite end of the Montana Intertie.

(f) Arrangements for transmission rights on the Townsend-Broadview line section and on connecting lines east of Broadview must be made with individual owners of transmission capacity. Arrangements for transmission rights on the Townsend-Garrison line section and other segments of the Government's System including the Garrison 500/230-kV transformer must be made with Bonneville.

(g) All parties hereto having power or energy to be transmitted over the Montana Intertie shall submit schedules of such power or energy (1) to Bonneville for coordination with Montana if the direction of the schedule is

west to east, or (2) to Montana for coordination with Bonneville if the schedule is east to west. The amounts scheduled hereunder shall be the amounts deemed to be delivered hereunder.

6. Payment for Use of Montana Intertie.

(a) As compensation for the transmission services provided pursuant to sections 5(a) and 5(c) above, each Company shall pay Bonneville each month during the term hereof commencing at 2400 hours on the date when the Montana Intertie first becomes available for scheduling power, in accordance with the provisions of Exhibits B, D and E, such Company's Intertie Charge. The Intertie Charge for Companies providing Bonneville with transmission services east of Townsend includes a credit described in subsection (b) below during the period specified in such description.

(b) As compensation for the transmission services provided to Bonneville by any of the Companies hereunder, Bonneville shall provide each such Company, commencing on the date when a 500 kV transmission line, connecting Garrison to the 500 kV portion of the Federal Transmission System, first becomes available for scheduling power, a credit (Exchange Credit) in the calculation of such Company's Intertie Charge. The calculation of the Exchange Credit is contained in Exhibit D.

(c) As compensation for the transmission services provided over the Garrison-Townsend line pursuant to section 5(e) above, each Company receiving such services shall pay Bonneville each month during the term hereof an amount equal to the product obtained by multiplying the kilowatthours of electric energy scheduled by such Company under section 5(e) for such month by the associated transmission charge specified in Exhibit A. For the purpose of subsection (d) below, Bonneville shall calculate each month during the term hereof a credit equal to the product obtained by multiplying the kilowatthours

of electric energy that the Government scheduled under section 5(e) over the Townsend-Garrison line segment for such month, by the associated transmission charge specified in Exhibit A. Bonneville shall file Exhibit A with the Federal Energy Regulatory Commission prior to the date that the Montana Intertie first becomes available for scheduling power.

(d) Revenues from services provided to the Companies pursuant to section 5(e) above and the credit calculated in subsection (c) above for the Government's comparable use of the Townsend-Garrison line segment will reduce Bonneville's revenue requirement from firm transmission agreements for use of the Townsend-Garrison line. Calculation of each Company's monthly bill will include a pro rata share of (1) such credit, and (2) a credit for the revenues from such service pursuant to section 5(e) for such month. Monthly bills shall be based on the most complete data available at the time of billing. However, adjustments shall be made to future bills as necessary to compensate for transaction data that were not available at the time of billing.

(e) As compensation for purchasing, constructing, operating and maintaining series and shunt compensation facilities pursuant to section 4(d) above, Montana, on behalf of the Companies pursuant to the Colstrip Project Transmission Agreement, shall pay Bonneville each month during the term hereof commencing on the date when the Montana Intertie first becomes available for scheduling power the charge (Line Compensation Charge) contained in Exhibit G.

7. Losses. Losses on the Montana Intertie shall be determined by Montana pursuant to Exhibit F. Losses on all Government schedules for transmission of power hereunder, except such schedules pursuant to section 5(e), shall be scheduled 168 hours later or at another hour mutually agreed upon between Bonneville and Montana.

8. Metering. Electric energy, Integrated Demands therefor, and varhours flowing to and from the Government's facilities at Garrison Substation shall be measured by meters furnished and installed by Bonneville at Garrison Substation.

9. Revision of Exhibits.

(a) If any party determines that the charges specified in Exhibit D or any subsequent transmission charges specified in this agreement must be changed pursuant to section 19 of Exhibit C, such party shall give notice to the other parties of the need for such changes and if no party objects within 90 days, Bonneville shall prepare a new Exhibit D incorporating such changes, and such new Exhibit D shall become effective as of the date specified therein. The parties hereto shall: (1) use every effort in good faith to agree on the facts upon which such changes are based, and (2) subject to provisions of this subsection, proceed under section 20 of Exhibit C if such effort does not result in agreement. The construction, addition, or replacement of facilities for the purpose of increasing the transmission capability of the facilities upon which the Intertie Charge is based shall be subject to mutual agreement of the parties hereto if the costs of such capacity are to be included in the Intertie Charge. Construction and replacement of facilities required to maintain the transmission capability of the Government's portion of the Montana Intertie and the changes to Exhibits D and G that may result therefrom, whether the costs are capitalized or expensed as operation and maintenance costs, shall neither be subject to mutual agreement nor to arbitration.

(b) Subject to subsection (a) below, Bonneville reserves the right to change its rates and charges provided herein pursuant to sections 19 and 37 of Exhibit C.

(c) If the final rate schedules and associated general transmission rate schedule provisions which are confirmed and approved by a governmental agency having jurisdiction over such rate schedules and provisions differ from any rate schedules or provisions placed into effect on an interim basis by a jurisdictional agency and incorporated into this agreement, such amended or modified rate schedules and provisions shall be made a part of this agreement and shall replace the said interim rate schedules or provisions effective as of the date specified in the agency's final approval.

(d) Upon any change in rates or charges pursuant to this section which affect the transmission charges specified in Exhibit D or any subsequent charges specified in this agreement, such charges shall be recalculated accordingly and Exhibit D shall be revised incorporating the new charges. Such revised Exhibit D shall be substituted for the Exhibit D then in effect and shall become effective as of the effective date of such new rates or charges.

(e) If any rates or charges of Bonneville under this agreement are collected subject to refund in accordance with the requirements or orders of a governmental agency with jurisdiction over such rates or charges, any refund required or ordered by such agency shall be made as soon as reasonably practicable, with interest, in accordance with the requirements or orders of such agency, and such refunds shall either be sent to the Company or if agreed by the parties shall be made by adjustment of the Company's monthly bill.

(f) Exhibit F may be revised from time to time by Montana, upon consultation and review with the other parties, to incorporate values which represent then current Montana Intertie operating conditions, revised transmission demands, electrical parameters of the facilities, or any value used in such exhibit to calculate the hourly losses. A review of such factors

and terms shall also be initiated if requested by any other party. The parties hereto shall: (1) use every effort in good faith to agree on the significance of changed conditions, and (2) proceed under section 20 of Exhibit C if such effort does not result in a mutually agreeable arrangement. Bonneville shall prepare a new Exhibit F incorporating such revisions upon receipt of the necessary information from the Companies and such revised exhibit shall become effective as of the date specified therein.

(g) Exhibit G may be revised from time to time in accordance with the provisions thereof.

(h) Exhibit D shall be revised as necessary to reflect all agreements which provide for the firm transmission of electric power and energy over transmission facilities of the Government's section of the Montana Intertie.

10. Reactive Power. It is the intent of the parties hereto that the voltage level at the Garrison Substation be controlled in accordance with prudent utility operating practice. The parties hereto shall jointly plan and operate their systems so that the flow of reactive power accompanying or resulting from deliveries of electric power and energy hereunder will not adversely affect the system of either party.

11. Changes in the Transmission Demand or Termination of Agreement.

(a) Transmission Demands, in whole or in part, may not be pooled. The Transmission Demand of any of the Companies shall be increased or reduced, upon 3 months prior written notice by such Company to Bonneville, but not more frequently than once every 12 months, upon the following terms and conditions:

(1) The Transmission Demand, at the Company's request, may be increased, subject to transmission capacity availability as determined by Bonneville and the Companies, to the extent that such Company increases

its share of the Project Output, or to the extent that other Companies decrease their Transmission Demands pursuant to (2) below.

(2) The Transmission Demand, at a Company's request and subject to (d) below, shall be reduced (A) to the extent that such Company assigns all or a portion of its share of the Project Output for a period of at least one year; such reduction of such Company's Transmission Demand for the Project will be subject to the execution of a transmission agreement between Bonneville and the assignee for transmission of the amount so reduced over the Government's portion of the Montana Intertie; (B) if there is a partial reduction in Project generating capability, to the extent of such Company's pro rata share of such reduction, subject to subsection (b) below; or (C) to the extent that other Companies increase their Transmission Demands such that the total of all Transmission Demands is not decreased thereby.

(b) At each Company's option the agreement may be terminated as to such Company upon destruction or abandonment of the Project or upon discontinuation of Project Output required by a final order of a public official having authority to issue such order. This agreement may not be terminated by reason of a partial reduction in Project generating capability. If there is a partial reduction in Project generating capability, including failure to reach full capability, and if a Company requests a reduction in Transmission Demand with no compensating increase in Transmission Demand by another Company, then, at Bonneville's option, the Companies so requesting a reduction in Transmission Demand shall pay Bonneville (A) for that part of the unamortized investment in any nonsalvageable facilities Bonneville has constructed at Government expense for the purpose of providing transmission service for the Project hereunder and which have become unused and are likely to remain

unused, in Bonneville's opinion, due to such reduction in Project generating capability, or (B) monthly at a rate that will compensate Bonneville for the annual cost of the facilities so constructed, to the extent and for so long as, during the term of this agreement, such facilities become and remain unused, in whole or in part as the result of such partial reduction. If the agreement is terminated under this subsection (b), then each Company so terminating shall pay Bonneville its share of the unamortized investment plus the cost of removal of any facilities, less salvage value, Bonneville has constructed at Government expense for the purpose of providing transmission service for the Project hereunder, to the extent that such facilities are unusable, in Bonneville's opinion, in whole or in part as the result of such destruction or abandonment of the Project or upon such discontinuation of Project Output. Such terminating Companies' shares shall be pro rata to their Transmission Demands. The parties hereto: (1) shall use every effort in good faith to agree on the facts upon which the determination of an unused, likely to remain unused, or unusable condition is based pursuant to this subsection, and (2) shall proceed under section 20 of Exhibit C if such effort does not result in agreement.

(c) Either Montana or Basin Electric may reduce its Transmission Demand if it builds a transmission line tap on the Montana Intertie between Townsend and Broadview, provided that Montana or Basin Electric, as applicable, shall pay Bonneville monthly at a rate that will compensate Bonneville for the annual cost of the facilities Bonneville has constructed at Government expense (A) for the purpose of providing transmission service for the Project hereunder, and (B) at Garrison, including the 500/230 kV transformer, which are unused due to such reduction in Transmission Demand.

(d) Any reduction in any Company's Transmission Demand shall be subject to the condition that there be no reduction in Bonneville's transmission rights in the Townsend-Broadview Line. If, after a reduction in a Company's Transmission Demand, such Company has insufficient Transmission Demand to equal its applicable Exchange Credit, such Company and Bonneville shall execute an alternative arrangement for payment of the Exchange Credit by Bonneville at a cost no greater than before the reduction.

(e) The Companies, except for Basin Electric, shall assume pro rata Basin Electric's Transmission Demands contained in Exhibit D and all of Basin Electric's obligations hereunder if the Rural Electrification Administration does not approve Basin Electric's participation in any agreement, including this agreement, among the Companies which is a condition to Basin Electric's acquisition of a share of Project Output. The reference to "the parties" in section 36 of Exhibit C means "Basin Electric."

(f) When Transmission Demands are changed pursuant to this section or section 12, the parties shall incorporate such revisions in a new Exhibit D as soon as reasonably practicable.

12. Capacity Exchange Contingent upon Transmission Agreement between Montana and Western.

In the event that Montana and Western do not reach agreement on transmission services to be provided to Western for transmission of electric power and energy between Western's system and Broadview, or if such agreement terminates before the term hereof, all provisions herein for a capacity exchange on the Montana Intertie and for firm services to be provided to Bonneville hereunder shall terminate and all payment provisions herein and the calculations in all exhibits hereto shall be revised by Bonneville to reflect that:

(a) Bonneville's Transmission Demand goes to zero;

(b) The Companies Intertie Charge will be calculated without an Exchange Credit.

13. Provisions in Lieu of Federal Stipulation.

(a) The value of the rights-of-way granted by the Government to the Companies for the construction of the transmission lines from the Project to Townsend designated as the 500-kV Colstrip-Broadview "B" transmission line and the 500-kV Broadview-Townsend "A" and "B" transmission lines ("Colstrip Transmission Facilities") shall not be included in the price to be paid by the Government in the event it acquires any or all of the facilities constructed on or across such rights-of-way.

(b) The Government shall be allowed at its expense to increase the capacity of the Colstrip Transmission Facilities by making additions or modifications to such facilities and to utilize such increased capacity on an exclusive basis. The Government shall give the Companies not less than 1 year's notice of its intent to so increase the capacity of the Colstrip Transmission Facilities. The Companies may, within 1 year after receipt of such notice, notify the Government of the Companies' intention to make such increase in capacity, in which case the Government's right to make such increase shall be preempted, provided that the Companies plan such increase at approximately the same time planned by the Government. If the Government so increases such capacity, the Government and the Companies shall enter into an agreement providing, among other things, for the determination of the amount of such increase in capacity, and for the allocation to the Government of all incremental or decremental losses and an appropriate share of operation, maintenance, and other costs allocable to such increase in capacity. In order to fully utilize the increased capacity, the Government shall be allowed to interconnect, at its expense, its transmission facilities with the Colstrip

Transmission Facilities in a manner conforming to approved standards of practice. In the event of any such increase in capacity or interconnection, the Government shall ensure that the existing operating condition of the Project, the Companies' portion of the Colstrip Transmission Facilities, and interconnected systems shall not be adversely affected by such increase in capacity or interconnection. After any such interconnection is completed, the Companies shall operate and maintain the Colstrip Transmission Facilities in good condition, and except in emergencies, shall maintain in a closed position all connections under the Companies' control necessary for the transmission of the Government's power and energy over the Colstrip Transmission Facilities using such increased capacity. The parties may, by mutual consent, open any such connection for maintenance, repair, or construction; provided, however, no party shall unreasonably withhold or delay its consent.

(c) During each hour of the term hereof if the Government has energy available for transmission on the Colstrip Transmission Facilities between Colstrip and Broadview the Government may make available or arrange to have made available to the Companies at Broadview for west to east transmission or at Colstrip for east to west transmission, the amounts of electric energy the Government desires to be made available at the opposite end of the Colstrip Transmission Facilities between Colstrip and Broadview for such hour plus losses assessed pursuant to Exhibit F. Each Company shall transmit a pro rata share of the hourly amounts requested, but not to exceed the line capacity which each such Company has determined is available in excess of such Company's requirements or obligations for transmission of energy in such hour. The Government shall pay each Company for such transmission at a rate based on an amount in dollars representing the same portion of the total monthly costs of such part of the transmission facilities used as the maximum

amount in kilowatts of the power transmitted hereunder in such month bears to the total capacity in kilowatts of that portion of the transmission facilities.

(d) The Companies shall not be obligated to allow the transmission of electric power and energy by the Government over the surplus capacity described in subsection (c) above to any person receiving service from any of the Companies on the date of the filing of the first application for rights-of-way across Government lands for the Colstrip Transmission Facilities, other than to statutory preference customers including agencies of the Government and other Pacific Northwest customers of Bonneville.

(e) The provisions of this section are intended to replace the stipulations required of the Companies by the Government, under 43 CFR 2805.1(c) and 36 CFR 251.56(f)(3) as conditions for the grant of rights-of-way across Government lands for construction of the Colstrip Transmission Facilities.

14. Execution by Counterpart. This agreement may be executed in a number of counterparts and shall be deemed to constitute a single document with the same force and effect as if all the parties hereto having signed a counterpart had signed all other counterparts. Each party shall deliver a signed counterpart to Bonneville, who will prepare a composite conformed copy and deliver the same to each party. The agreement shall become effective when counterparts have been signed by all parties.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in several counterparts.

UNITED STATES OF AMERICA
Department of Energy

By /s/ Earl Gielde
ACTING Bonneville Power Administrator

PORTLAND GENERAL ELECTRIC COMPANY

By /S/ Glen E. Bredemeier

Title Vice President

ATTEST:

By /S/ Dallas A. Marck

Title Asst. Secretary

THE MONTANA POWER COMPANY

By /S/ Melvyn M. Ryan

Title Executive Vice President
for Administration

ATTEST:

By /S/ Bernice H. Wilson

Title Asst. Secretary

PACIFIC POWER & LIGHT COMPANY

By /S/ R. B. Lisbakken

Title Vice President

ATTEST:

By /S/ Sally A. Hofzger

Title Assistant Secretary

PUGET SOUND POWER & LIGHT COMPANY

By /S/ R. G. Bailey

Title Vice President

ATTEST:

By /S/ W. E. Watson

Title Secretary

THE WASHINGTON WATER POWER COMPANY

By /s/ H. W. Harding

Title Vice President

ATTEST:

By _____

Title _____

BASIN ELECTRIC POWER COOPERATIVE

By /s/ James L. Grabl

Title General Manager

ATTEST:

By /s/ Deborah Fohr

Title Staff Counsel

PCI 1649A

CERTIFICATE

I, Wayne R. Lee, Acting Chief, Branch of Contract Management, Division of Customer Service, Bonneville Power Administration, do hereby certify that the agreement to which this certificate is attached is a true, complete and conformed composite copy of the Transmission Agreement, Contract No. DE-M579-81BP90210, and that signed counterpart originals are on file with the Bonneville Power Administration, each signed by the parties thereto.

/S/ Wayne R. Lee
Wayne R. Lee, Acting Chief
Contract Management Branch
Division of Customer Service

Date 5-5-81

EXHIBIT A
Montana Intertie Nonfirm Energy Transmission Rate Schedule

Exhibit A will be attached when it has been filed with the Federal Energy Regulatory Commission (FERC).

EXHIBIT D - Page 1 of 4
 Contract No. DE-M879-81EP90210
 Colstrip Project
 Effective at 2400 hours on the date
 that the Montana Intertie first becomes
 available for scheduling power.

Transmission Demands and Calculation of Charges 1/

Transmission Demands

	<u>Share of Project Output</u>			<u>Townsend-Garrison</u>	
	<u>Units 1 & 2</u>	<u>Unit 3</u>	<u>Unit 4</u>	<u>East to West Transmission Demand 2/</u>	<u>West to East Transmission Demand</u>
Montana	330,000 kW	195,300 kW	195,300 kW	390,600 kW	0 kW
Puget	330,000	162,750	162,750	655,500	0
PGE		130,200	130,200	260,400	0
Pacific		65,100	65,100	130,200	0
WVP		97,650	97,650	195,300	0
Basin Electric		49,000	49,000	98,000	0
	660,000 kW	700,000 kW	700,000 kW	1,730,000 kW	0 kW
Bonneville				185,000 kW 3/	0 kW
					185,000 kW 3/ (east to west direction only)

- 1/ All calculations in Exhibit D are subject to revision under the provisions of section 12 of this contract.
 2/ The parties acknowledge that Bonneville has insufficient firm transmission capacity on its system between Garrison and the 500 kv portion of the Federal Transmission System, in the absence of a 500 kv line connecting such points, to transmit the full amount of these Transmission Demands, and Bonneville's obligations hereunder shall not be obligations under the Colstrip Transmission Agreements.
 3/ Effective on the date when a 500 kv transmission line, connecting Garrison to the Federal 500 kv portion of the Federal Transmission System at or west of Hot Springs, first becomes available for scheduling power.
 4/ The Companies' rights to transmission in the Broadview-Townsend Section shall be determined pursuant to an agreement among the Companies known as the Colstrip Project Transmission Agreement.

Intertie Charge (Garrison-Townsend)

a. Calculation of Total Annual Cost (TAC)

<u>Item</u>	<u>Investment</u>	<u>Annual Cost Ratio</u>	<u>5/</u>	<u>Total Annual Cost</u>
Transmission line	\$59,516,000	0.1215		\$7,231,194
Terminal facilities	8,001,000	0.1647		1,317,765
	<u>\$67,517,000</u>			<u>\$8,548,959</u>
Transformer facilities	5,745,000	0.1647		\$ 946,202
				<u>\$9,495,161 = TAC</u>

5/ Annual Cost Ratios are capital recovery ratios based on various useful lives and 9.9% cost of money, which are designed to recover an investment over the life of the facilities. O&M and general plant costs have been included. These figures shall be revised annually, based on actual costs experienced and the expected life of the facilities.

6/ The annual costs of the Garrison transformer facilities are to be included in the Total Annual Cost (TAC) only until the date when a 500 kV transmission line, connecting Garrison to the Federal 500 kV main transmission system at or west of Hot Springs, first becomes available for scheduling power.

b. Calculation of Exchange Ratio (ER) 7/

$$\begin{aligned} \text{ER} &= \frac{\text{Broadview-Townsend Investment}}{\text{Townsend-Garrison Investment}} \\ &= \frac{\$118,113,000}{\$67,517,000} = 1.749 \end{aligned}$$

7/ The Exchange Ratio shall be revised on the date when the capacity exchange commences to reflect the then current estimate of the actual investments on such date. The Exchange Ratio shall be further revised to include actual investment as of the date 1 year after the later of (1) the commencement of commercial operation of Unit 4, or (2) commencement of the capacity exchange, if applicable; provided, however, that this revision shall be made not later than 2 years after such date and shall be effective when made. Such Exchange Ratio shall then be fixed thereafter for the term of this contract. The investment in the Garrison transformer shall not be included in the calculation of the Exchange Ratio (ER).

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c. Calculation of Exchange Credit (EC) 3/

$$EC = ER \times \text{Capacity Exchanged with Bonneville}$$

<u>Company</u>	<u>Capacity Exchanged with Bonneville</u>	<u>Exchange Credit (EC) <u>8/</u></u>
Montana	45,200 kW	79,000 kW
Puget	75,800	132,600
PGE	30,100	52,700
WWP	22,600	39,500
Basin Electric	11,300	19,800
Pacific	0	0
	185,000 kW	323,600 kW

8/ EC shall be recalculated if there is a change in ER pursuant to Note 7/.

<u>Company</u>	<u>Capacity Requirement (CR)</u>	<u>Direction</u>	<u>Exchange Credit (EC)</u>	<u>Proration after Exchange (CR-EC)</u>
Montana	390,600 kW	East to West	- 79,000 kW	311,600 kW
	0	West to East	0	0
Puget	655,500	East to West	-132,600	522,900
	0	West to East	0	0
PGE	260,400	East to West	- 52,700	207,700
	0	West to East	0	0
WWP	195,300	East to West	- 39,500	155,800
	0	West to East	0	0
Basin Electric	98,000	East to West	- 19,800	78,200
	0	West to East	0	0
Pacific	130,200	East to West	0	130,200
	0	West to East	0	0
Subtotal	1,730,000 kW		-323,600 kW	1,406,400 kW
Government	185,000 kW	East to West	+323,600 kW	508,600 kW
	0	West to East	0	0
Total	1,915,000 kW = TCR		0	1,915,000 kW

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d. Sample Calculation of Intertie Charge

$$\text{Intertie Charge} = \left[\frac{(\text{TAC}/12 - \text{NFR})}{\text{TCR}} \times (\text{CR} - \text{EC}) \right]$$

$$\text{Initially, } \frac{(\text{TAC}/12 - \text{NFR})}{\text{TCR}} = \frac{(\$9,495,161/12 - 0)}{1,915,000 \text{ kW}} = \$0.4132/\text{kW}/\text{mo. } \underline{9/}$$

<u>Company</u>	<u>CR-EC</u>	<u>Intertie Charge</u>
Montana	311,600 kW	\$128,751/mo.
Puget	522,900	216,058
PGE	207,700	85,820
WNP	155,800	64,375
Basin Electric	78,200	32,312
Pacific	130,200	53,798
Total	1,406,400 kW	\$581,114/mo.

9/ These Intertie Charges are without any credits either for non-firm Government use or for non-firm revenues. These Intertie Charges will have such credits applied in the months in which they occur. The symbol NFR represents the total of such credits for such month.

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Schedule TGT-1

Townsend-Garrison Transmission

Section 1. AVAILABILITY:

This schedule shall apply to all agreements which provide for the firm transmission of electric power and energy over transmission facilities of the Government's section of the Montana Intertie.

Section 2. RATE:

The monthly charge shall be one-twelfth of the sum of the annual charges listed below, as applicable and as specified in the agreements for firm transmission. The Townsend-Garrison 500 kV lines and associated terminal, line compensation and communication facilities are a separately identified portion of the Federal Transmission System. Annual revenues plus credits for Government use should equal annual costs of the facilities, but in any given year there may be either a surplus or a deficit. Such surpluses or deficits for any year shall be accounted for in the computation of annual costs for succeeding years. Revenue requirements from firm transmission use will be decreased by any revenues received from non-firm use and credits for all Government use. The general methodology for determining the firm rate is to divide the revenue requirement by the total firm capacity requirements.

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Therefore, the higher the total capacity requirements, the lower will be the unit rate.

If the Government provides firm transmission service in its section of the Montana Intertie in exchange for firm transmission service in a customer's section of the Montana Intertie, the payment by the Government for such transmission services provided by such customer will be made in the form of a credit in the calculation of the Intertie Charge for such customer.

During an estimated one to three-year period following the commercial operation date of the third generating unit at the Colstrip Thermal Generating Plant at Colstrip, Montana, the capability of the Federal Transmission System west of Garrison Substation may be different from the long-term situation. It may not be possible to complete the extension of the 500 kV portion of the Federal Transmission System to Garrison by such commercial operation date. In such event, the 500/230 kV transformer will be an essential extension of the Townsend-Garrison intertie facilities, and the annual costs of such transformer will be included in the calculation of the Intertie Charge. However, starting one month after extension to Garrison of the 500 kV portion of the Federal Transmission System, the annual costs of such transformer will no longer be included in the calculation of the Intertie Charge.

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- a. Non-Firm Transmission Charge. This charge will be filed as a separate Rate Schedule and revenues received thereunder will reduce the amount of revenue to be collected under the Intertie Charge below.
- b. Intertie Charge for Firm Transmission Service.

$$\text{Intertie Charge} = \left[(\text{TAC}/12 - \text{NFR}) \times \frac{(\text{CR} - \text{EC})}{\text{TCR}} \right]$$

Section 3. DEFINITIONS:

TAC = Total Annual Costs of facilities associated with the Townsend-Garrison 500 kV transmission line including terminals, and, prior to extension of the 500 kV portion of the Federal Transmission System to Garrison, the 500/230 kV transformer at Garrison. Such annual costs are the total of (1) interest and amortization of associated Federal investment and the appropriate allocation of general plant costs, (2) operation and maintenance costs, (3) an allowance for Bonneville's general administrative costs which are appropriately allocable to such facilities, and (4) payments made pursuant to section 7(m) of Public Law 96-501 with respect to these facilities. Total Annual Costs shall be adjusted to reflect reductions to unpaid total costs as a result of any amounts received, under

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agreements for firm transmission service over the Montana Intertie, by the Government on account of any reduction in Transmission Demand, termination or partial termination of any such agreement or otherwise to compensate BPA for the unamortized investment, annual cost, removal, salvage, or other cost related to such facilities.

NFR = Non-Firm Revenues, which are equal to (1) the product of the Non-Firm Transmission Charge described in 2(a) above, and the total non-firm energy transmitted over the Townsend-Garrison line segment under such charge for such month; plus (2) the product of the Non-Firm Transmission Charge and the total non-firm energy transmitted in either direction by the Government over the Townsend-Garrison line segment for such month.

CR = Capacity Requirement of a customer on the Townsend-Garrison 500 kV transmission facilities as specified in its firm transmission agreement.

TCR = Total Capacity Requirement on the Townsend-Garrison 500 kV transmission facilities as calculated by adding (1) the sum of all Capacity Requirements (CR) specified in firm

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transmission agreements described in section 1 and (2) the Government's firm capacity requirement. The Government's firm capacity requirement shall be no less than the total of the amounts, if any, specified in firm transmission agreements for use of the Montana Intertie.

EC = Exchange Credit for each customer which is the product of (1) the ratio of investment in the Townsend-Broadview 500 kV transmission line to the investment in the Townsend-Garrison 500 kV transmission line, and (2) the capacity which the Government obtains in the Townsend-Broadview 500 kV transmission line through exchange with such customer. If no exchange is in effect with a customer, the value of EC for such customer shall be zero.

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LOSS DETERMINATION AND ALLOCATION

1. Methods

Loss determinations shall be based on coincidental actual measurements at all points where power can enter or leave the Garrison-Broadview-Colstrip 500 kV system as indicated in the diagram below and the allocation of losses shall be in accordance with the procedures herein. Such determinations and allocations shall be done not less often than once each hour. Mathematical functions will be developed to calculate losses in each segment of the above described system. Such functions used herein shall be checked for accuracy upon the request of any party hereto and corrections for accuracy shall be made as soon as reasonably practicable. The parties shall use every effort in good faith to agree on such functions and proceed under section 20 of Exhibit C if such effort does not result in agreement.

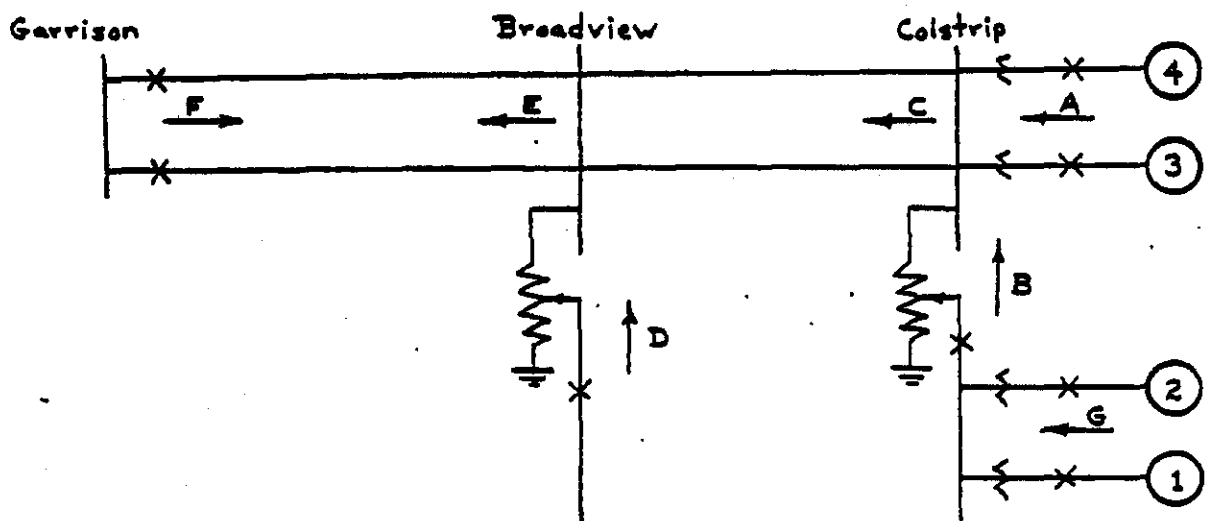


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DEFINITIONS AND NOMENCLATURE

- X = Metering points (arrow indicates positive direction of flow)
- A = Metered power flow into Colstrip 3 & 4 step-up transformers
- B = Metered power flow into Colstrip 500/230 kV auto-transformers
- C = Calculated power flow into Colstrip-Broadview 500 kV lines at Colstrip
- D = Metered power flow into Broadview 500/230 kV auto-transformers
- E = Calculated power flow into Broadview-Garrison 500 kV lines at Broadview
- F = Metered power flow into Broadview-Garrison 500 kV lines at Garrison
- G = Metered power flow into Colstrip 1 & 2 step-up transformers
- LT = Total losses to be allocated = $A + B + D + F$
- LA = Calculated losses in Colstrip 3 & 4 step-up transformers
- LB = Calculated losses in Colstrip 500/230 kV auto transformers
- LC = Calculated losses in Colstrip-Broadview 500 kV lines
- LD = Calculated losses in Broadview 500/230 kV auto-transformers
- LE = Calculated losses in Broadview-Garrison 500 kV lines
- LG = Calculated losses in Colstrip 1 & 2 step-up transformers = $f(|G|)$
- DN = Losses assessed on all schedules by the Companies using transmission system surplus capacity as that term is defined in the Colstrip Project Transmission Agreement, on all schedules by Bonneville in excess of its Transmission Demands, and on all schedules where a transmission capacity owner or Bonneville provides transmission service for another person. Such losses shall be assessed at 5 percent of such schedules.

INITIAL CALCULATION OF LOSSES (Indicated by subscript I):

$LA_I = f(|A|)$, where $f(|A|)$ means a function of $|A|$, and $|A|$ means the absolute value of A

$LB_I = f(|B|)$

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$$LC_I = f(|C_I|), \text{ where } |C_I| = |A + B - LA_I - LB_I|$$

$$LD_I = f(|D|)$$

$$LE_I = f(|F|), \quad \text{where metered power flow } F \text{ is used rather than calculated power flow } E.$$

Subject to review by all parties hereto, the line owners shall determine the appropriate functions $f(|A|)$, $f(|B|)$, $f(|C_I|)$, $f(|D|)$, $f(|F|)$, and $f(|G|)$ to represent losses on those facilities. These functions may include relationships of voltage, current, var flow and other appropriate constants and variables.

$$LT_I = LA_I + LB_I + LC_I + LD_I + LE_I$$

ALLOCATION OF CALCULATION AND METERING ERROR AND OF LW:

$$LA = LA_I \times (LT/LT_I)(LT-LW)/LT = LA_I \times (LT-LW)/LT_I;$$

where $(LT - LW)/LT_I = \text{Allocation Factor}$

$$LB = LB_I \times (\text{Allocation Factor})$$

$$LC = LC_I \times (\text{Allocation Factor})$$

$$LD = LD_I \times (\text{Allocation Factor})$$

$$LE = LE_I \times (\text{Allocation Factor})$$

As a check, the following should balance within 2 kilowatthours

$$LA + LB + LC + LD + LE + LW = A + B + D + F$$

ALLOCATION AMONG USERS WHERE SUBSCRIPT (N) REFERS TO:

- N = 1 = Montana
- 2 = Puget
- 3 = PGE
- 4 = WWP
- 5 = Pacific
- 6 = Basin Electric
- 7 = Bonneville

All schedules among the parties for replacement or return of losses will be excluded in the following calculation.

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A_N = N's share of power flow at A

G_N = N's share of power flow at G

BW_N = N's schedules of power flow at B subject to assessment of LW losses

SB_N = N's total schedules of power flow at B less BW_N

DW_N = N's schedules of power flow at D subject to assessment of LW losses

SD_N = N's total schedules of power flow at D less DW_N

$B_2 = G_2 - LG_2 + SB_2$, where $LG_2 = LG \times G_2/G$

$B_N = SB_N$ for $N = 3, 4, 5, 6, 7$

$B_1 = B - B_2 - B_3 - B_4 - B_5 - B_6 - B_7 - \sum_{N=2}^7 BW_N$ *

$LB_1 = |B_1| \times (LB/\sum_{N=2}^7 |B_N|)$

* If $B_1 < 0$ and $|B_1| \leq (A_1 - LA_1 - LB_1)$, then $C_1 = A_1 + B_1 - LA_1 - LB_1$

* If $B_1 < 0$ and $|B_1| > (A_1 - LA_1 - LB_1)$, then $C_1 = 0$

* If $B_1 \geq 0$, then $C_1 = A_1 + B_1 - LA_1 - LB_1$

$C_N = A_N + B_N - LA_N - LB_N$ for $N = 2, 3, 4, 5, 6, 7$

$D_N = SD_N$ for $N = 2, 3, 4, 5, 6, 7$

$D_1 = D - D_2 - D_3 - D_4 - D_5 - D_6 - D_7 - \sum_{N=2}^7 DW_N$ **

$LD_1 = |D_1| \times (LD/\sum_{N=2}^7 |D_N|)$

** If $D_1 < 0$ and $|D_1| \leq (C_1 - LC_1 - LD_1)$, then $E_1 = C_1 + D_1 - LC_1 - LD_1$

** If $D_1 < 0$ and $|D_1| > (C_1 - LC_1 - LD_1)$, then $E_1 = 0$

** If $D_1 \geq 0$, then $E_1 = C_1 + D_1 - LC_1 - LD_1$

$E_N = C_N + D_N - LC_N - LD_N$ for $N = 2, 3, 4, 5, 6, 7$

$LAN = |A_N| \times (LA/\sum_{N=2}^7 |A_N|) = LA \times |A_N|/\sum_{N=2}^7 |A_N|$

$LB_N = |B_N| \times (LB/\sum_{N=2}^7 |B_N|) = LB \times |B_N|/\sum_{N=2}^7 |B_N|$

$LC_N = |C_N| \times (LC/\sum_{N=2}^7 |C_N|) = LC \times |C_N|/\sum_{N=2}^7 |C_N|$

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$$LD_N = |D_N| \times (LD / \sum_1^7 |D_N|) = LD \times |D_N| / \sum_1^7 |D_N|$$

$$LE_N = |E_N| \times (LE / \sum_1^7 |E_N|) = LE \times |E_N| / \sum_1^7 |E_N|$$

$$L_N = LA_N + LB_N + LC_N + LD_N + LE_N$$

As a check, the following should balance within 2 kilowatthours:

$$LW + \sum_1^7 L_N = A + B + D + F$$

Operation and Maintenance Provisions and Charges

1. Bonneville shall:

(a) operate and maintain the series and shunt compensation facilities located at Garrison Substation, part of which are required by transmission facilities constructed by the Companies between Townsend and Broadview, in the same manner in which Bonneville operates and maintains similar facilities of the Government; and

(b) operate and maintain all power system control facilities at Garrison, the maintenance for which is not provided for pursuant to another agreement, which are necessary to integrate the Companies' facilities with the Government's control system, and, from time to time when Bonneville determines it is necessary, modify or replace the Government power system control facilities.

2. For routine replacement of minor components of any of the equipment described in section 1(a) above and any part of section 1(b) above, if any, which belongs to Montana or to the Companies collectively, Bonneville shall provide and install such replacement parts and Montana, on behalf of the Companies pursuant to the Colstrip Project Transmission Agreement, shall compensate Bonneville for the Companies' pro rata share of replacement part costs. By mutual agreement of the parties, Montana may provide Bonneville, at the Companies' expense, replacement parts in lieu of such compensation. Such

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provision of replacement parts by Montana shall be subject to Bonneville's acceptance of such parts as equivalent to those that Bonneville installed or would have installed and shall be further subject to such parts being made available at a time and place acceptable to Bonneville.

3. In the event of a major failure of any of the equipment described in section 1(a) above, the parties shall use every reasonable effort in good faith to negotiate and execute a mutually acceptable agreement providing for the replacement or repair of such equipment. The Companies shall bear their pro rata share of the cost of any such replacement or repair.

4. The Companies agree to bear their pro rata share of the cost of modifying or replacing any of the equipment described in section 1(a) above if and when Bonneville requires such modification or replacement to make the operation of such equipment compatible with the operation of other Government equipment. Bonneville shall provide reasonable advance notice to the Companies consistent with the availability of equipment and budgetary planning that such modification or replacement is required. Any such modification or replacement of equipment will be required only in keeping with prudent utility practice and (1) when Bonneville similarly replaces or modifies similar equipment owned by the Government at the same station, (2) as a part of a programmed project involving a significant portion of Bonneville's system, or (3) by mutual agreement of the parties.

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5. Montana, on behalf of the Companies pursuant to the Colstrip Project Transmission Agreement, shall pay Bonneville each month in the term hereof, commencing one month after the date when the Montana Intertie first becomes available for scheduling power, at the rate specified in section 6 below for performing the duties in sections 1(a) and 1(b) above. Such charge is Bonneville's best estimate of the monthly average of operation and maintenance costs plus one twelfth of interest and amortization of associated Federal investment and the appropriate allocation of general plant costs, allowance for Bonneville's general administrative costs which are appropriately allocable to such functions, and payments made pursuant to section 7(m) of Public Law 96-501 with respect to these facilities. Adjustments shall be made to future bills as necessary to correct for actual costs experienced plus the costs to be borne by the Companies pursuant to sections 2, 3, and 4 above so that, over the life of the facilities, only the exact operation and maintenance plus annualized capital costs will be collected.

6. Calculations

Given:

Garrison-Townsend Distance = 85 miles
Townsend-Broadview Distance = 132 miles

Total = 217 miles

Series capacitors required at Garrison: 2-351 MVAR units (one for
each line)
Shunt reactors required at Garrison: 2-225 MVAR units (one for each
line)

Estimated annual O&M cost for series capacitors: \$460/MVAR
Estimated annual O&M cost for shunt reactors: \$531.30/MVAR

Since all series capacitors for the Garrison-Broadview line are located at Garrison, the responsibility for the costs of such equipment shall be prorated based on line mileage.

$$\text{Companies share} = \frac{132}{217} = 60.83\%$$

The shunt reactors at Garrison are one-half of the total required for the Garrison-Broadview line; the other one-half being located at Broadview.

It is deemed that the reactors at Garrison serve one-half of the line (217/2 = 108.5 miles) of which 85 miles belong to the Government and 23.5 miles belong to the Companies. Prorating based on line mileage, the

$$\text{Companies share} = \frac{23.5}{108.5} = 21.66\%$$

$$\begin{aligned} \text{Series capacitor O\&M charge} &= 0.6083 \times 702 \text{ MVAR} \times \$460/\text{MVAR} = \$196,432 \\ \text{Shunt reactor O\&M charge} &= 0.2166 \times 450 \text{ MVAR} \times \$531.30/\text{MVAR} = \underline{\$51,786} \end{aligned}$$

$$\text{Total annual O\&M charge} = \$248,218$$

Investment in Facilities at Garrison Required for Townsend-Broadview	Annual Cost Ratio without O&M	Annual Cost without O&M	O&M	Total Annual Cost 1/
\$4,679,000	12.00%	\$561,480	\$248,218	\$809,698

$$\text{Line Compensation Charge} = \frac{\$809,698/\text{year}}{12} = \$67,475/\text{month}$$

Any of these numbers in this section 6 shall be revised as necessary to conform to "a constructed conditions" and to reflect actual cost experience.

- 1/ Actual costs of operating and maintaining any facilities described in section 1(b) above which are not owned by the Government shall be separately identified, added the Total Annual Cost and billed to Montana.